



Local Pension Board

24 June 2021

Title	External Auditor's Planning Report for the year 2020/21
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – External Auditor's Plan
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Summary

BDO are the Pension Fund's appointed external auditors for the 2020/21 financial year. In line with International Standard on Auditing 260 (ISA 260) the Pension Fund's external auditors, BDO, should be provided with access to those charged with governance. BDO will not be attending the meeting.

Officers Recommendations

That the Local Pension Board note the audit strategy for the 2020/21 Report and Accounts and identify matters that the Board wish to bring to the attention of the Auditor.

1. WHY THIS REPORT IS NEEDED

1.1 Under Section 151 of the Local Government Act 1972 - "...every local authority shall make arrangements for the proper administration of their financial affairs...". Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts.

1.2 The audit plan contained at appendix A highlights the key elements of the external auditor's proposed audit strategy for the benefit of those charged with governance. The purpose of this report is to highlight and explain the key issues which the Auditor believes to be relevant to the audit of the annual accounts of the pension fund for the year ended 31 March 2021.

1.1 The report includes the following sections:

Materiality	pages 4, 32 & 33
Audit risks - overview	page 6
Fees	page 7
Detailed risk review	Pages 11 to 19
Independence	Page 26
Management & Auditors responsibility	Pages 28 & 29

1.2 The risk discussed are mostly generic, however there is mention of issues that are specific to Barnet e.g. change of administrator (page 18) and Barnet Southgate College (p19). Although the materiality values on page 4 appear high (measured in the £'m) as noted on page 33, all errors identified will be brought to the Committee's attention.

1.3 There are no significant changes in the audit approach from last year. The Auditor has been kept fully informed of the change in administrator and the challenges of engaging with the previous administrator following the end of the post contract support agreement.

1.4 The timetable for the publication of both unaudited (draft) and audited accounts in recent years was 31 May for the unaudited accounts and 31 July for the audited accounts. There is no implications or sanctions for missing these dates. This year the due date for publication of audited accounts has again being relaxed to 30 September, with unaudited accounts due by 31 July. As mentioned, most local authorities miss these deadlines with no implications. Draft account for the Barnet Pension Fund were sent to the auditor on 7 June and are awaiting publication with the Council's accounts.

1.5 As discussed on page 9 of BDO's plan due to resourcing constraints, the audit fieldwork is expected to be undertaken between August and October and the audit opinion may not be available until November. The auditor will be invited to present their report to the Board as soon as the audit is completed.

1.6 The Auditor has included a page in the report (p35) that compares the quality of their audits as determined by the Financial Reporting Council with other large auditors. The results have declined compared with last year with circa 25% rated "significant

improvement required” compared with nil the previous year. We will be discussing with BDO the actions being taken to address these findings.

2. REASONS FOR RECOMMENDATIONS

2.1 It is appropriate for the Board to review the auditor’s work programme and have the opportunity to influence the testing undertaken by the auditor.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None – statutory function.

4. POST DECISION IMPLEMENTATION

4.1 None. The external auditor will report to the Board following the conclusion of the audit.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 A positive external audit opinion on the Pension Fund’s Annual Report and Accounts plays an essential and key role in providing assurance that the Pension Fund’s financial risks are managed in an environment of sound stewardship and control. This is in line with the aims set out in the Council’s Corporate Plan, to ensure that services are delivered efficiently to get value for money for the taxpayer.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 This report sets out the framework for the assessment of the Pension Fund’s financial reporting and management as well as value for money.

5.2.2 The external audit fees for 2020/21 are £36,170 (£36,170 for 2019/20).

5.2.3 In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the Council’s accounts and Pension Fund accounts.

5.2.4 The ISA 260 report must be considered by “those charged with governance” before the external auditor can sign the accounts”.

5.3 Social Value

5.3.1 Arrangements for proper administration of financial affairs and contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

5.4 Legal and Constitutional References

5.4.1 The Board’s Terms of Reference include “ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund”.

5.5 Risk Management

5.5.1 The external audit ISA 260 report highlights areas of good control and areas of weakness which need to be addressed. Failure to do so carries the risk of adverse financial and/or reputational consequences.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality.

5.6.2 Ensuring the long-term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not required.

5.9 Insight

5.9.1 Not applicable in the context of this report.

6. BACKGROUND PAPERS

6.1 Auditors report on the 2019-20 Report and Accounts. See Local Pension Board 17th November 2020, agenda item 12.

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=753&MId=10154&Ver=4>